KAISER RESOURCES LTD. ANNUAL REPORT 1974

Kaiser Resources Ltd. is a publicly-held company primarily engaged in mining and processing metallurgical coking coal from properties near Sparwood in southeastern British Columbia, and in the operation of deepwater port facilities through its wholly-owned subsidiary, Westshore Terminals Ltd., at Roberts Bank near Vancouver. The Company, incorporated in British Columbia, supplies almost all of its coking coal production to the Japanese steel mills and also supplies smaller amounts of coal and coke to customers in Canada, the United States and Europe.

Contents

Executive Offices:
2600 Board of Trade Tower
1177 West Hastings Street
Vancouver, B.C.
V6E 2L1

Mining Operations:
Box 2000
Sparwood, B.C.
V0B 2G0

Port Operations:
Westshore Terminals Ltd.
Roberts Bank
Delta, B.C.
V4K 3N2

Annual Meeting:
The annual meeting of shareholders will be held June 3, 1975 at the Bayshore Inn, 1601 West Georgia Street, Vancouver, B.C. at 11:00 a.m. (PDT).

Form 10-K:
A copy of the Form 10-K, filed with the United States Securities and Exchange Commission, is available without charge upon request to the Public Affairs Department at the Company's executive offices in Vancouver, British Columbia.

The Cover:
A close-up photograph of a piece of metallurgical coal in its raw state. The coal is treated by a washing and drying process to reduce the ash and moisture content and is used in the manufacture of steel.

Year in Brief

	Year Ended December 31 1974	1973
Shipments — long tons		
Metallurgical coal	4,969,000	4,675,000
Thermal coal	329,000	70,000
Coke and breeze	161,000	169,000
	5,459,000	4,914,000
Sales	$142,597,000	$ 97,439,000
Net earnings:		
Before extraordinary items	$ 12,662,000	$ 2,784,000
Extraordinary items	11,496,000	694,000
Net earnings	$ 24,158,000	$ 3,478,000
Net earnings per common share:		
Basic earnings		
Before extraordinary items	$ .53	$ .18
Extraordinary items	.48	.04
Net earnings	$ 1.01	$ .22
Fully diluted earnings	$ .94	
Weighted average number of shares outstanding	23,954,000	15,917,000
Cash flow	$ 40,908,000	$ 17,307,000
Working capital	$ 11,517,000	$ 4,376,000
Capital expenditures	$ 10,186,000	$ 9,453,000
Total assets	$163,511,000	$160,985,000
Total long-term debt	$ 28,738,000	$ 57,442,000
Shareholders' equity	$119,625,000	$ 95,434,000
Number of shareholders	3,957	3,810
Number of employees	1,960	1,725
Employment costs	$ 29,639,000	$ 22,318,000

Financial information presented above should be read in conjunction with the consolidated financial statements and other financial data included in this report.

To Our Shareholders

1974 was a year of substantial progress for Kaiser Resources, both in terms of earnings performance and financial strength for future growth.

Consolidated net earnings rose sharply to $24.2 million or $1.01 per share, as compared with net earnings of $3.5 million or 22 cents per share in 1973. The 1974 results included an extraordinary income tax credit of $11.5 million or 48 cents per share. Sales revenue increased to $142.6 million in 1974 from the previous high of $97.4 million in 1973.

The improvement in earnings was attributable to higher coal prices, record production at our Sparwood, B.C. operations, and a strong coal market which enabled the Company to ship at a record level.

Stronger Base

During 1974, we were able to work from a stronger financial base created through our 1973 refinancing program; to consolidate our position as a major Western Canadian coal producer; and to benefit from a significantly increased worldwide demand for coal. In March of 1974, the final step in the refinancing program was taken when 2.5 million warrants were issued to public shareholders on a one-for-one basis, each warrant entitling the owner to purchase one new share in the Company at $2.85 until December 31, 1976.

A substantially improved cash position in 1974 enabled the Company to retire $17.3 million of long-term debt ahead of its normal maturity. These prepayments, together with the required payments of debt made during the year, reduced the Company's debt by 50 percent to $28.7 million by December 31, 1974. This reduction in debt reduces interest costs and places the Company in a good position to secure additional capital should it be required to finance future expansion.

Further progress was made in maximizing the use of existing facilities and equipment. This progress was evident in several production records set at our mining and processing operations.

Higher Prices

The Company obtained higher prices for its coal in 1974 to offset increased costs and to provide an improved rate of return on its investment in existing facilities.

These price increases were granted as a result of the Company's excellent production performance, worldwide inflation, and record demand for coal. The demand was caused by high levels of steel production throughout the world and the dramatically increased price of oil. Higher prices for oil caused steel producers to reduce the amount of oil injected into blast furnaces and increase the ratio of coke to iron ore. Increased oil prices also prompted some utilities to convert oil-fired generating capacity to coal.

Edgar F. Kaiser — Edgar F. Kaiser, Jr.

In December, in recognition of the Company's reliability as a major supplier of coking coal to the Japanese steel mills, our Japanese customers agreed to grant Kaiser Resources an interim price increase of $6.45 per long ton on coal delivered in the first quarter of 1975.

On March 27, 1975, the Company reached agreement with its Japanese customers for a base price increase of $16.16 per long ton, effective April 1, 1975. This price increase reflects the termination of the interim price increase applicable to first quarter shipments. Additionally, it was agreed that the new base price of $47 per long ton would be reviewed following negotiations between other Canadian coal suppliers and their Japanese customers, and that the Company would limit its escalation applications to increases in mineral land taxes, rail and port costs until conclusion of the review.

With the increased use of coal as a source of energy, Kaiser Resources was able to sell 260,000 long tons of thermal coal in the export market. Previously, low prices and high transportation costs made it economically prohibitive for the Company to export its thermal coal. In 1974, we sold thermal coal in Denmark and France as well as domestically, and these shipments will continue in 1975.

The Future

We view the near and long-term future of Kaiser Resources with optimism. Although the world is in a time of economic uncertainty, we do not foresee a downturn in demand for our products. To capitalize on the current market opportunities, the Company is expanding its surface mining operations to provide an additional 250,000 long tons of coal per year for a period of six years. New equipment will be purchased to mine this additional coal, which will be processed in our existing coal washing and drying plant. We expect production from this expansion to begin in 1976, and we intend to make a major portion of the additional tonnage available for purchase by steel mills in Eastern Canada.

In planning for growth in the longer term, the Company in partnership with Mitsubishi Corporation and Mitsui Mining Company, Limited, of Japan, is studying the feasibility of developing a new underground mine. The study is expected to be completed in mid-1975. If the results of the study are favorable and the partners decide to proceed, a new underground mine will be developed and washing and drying facilities will be constructed to process between 1.5 and 2 million clean long tons of coking coal annually beginning in late 1978 or early 1979. The new mine would utilize the latest hydraulic coal mining technology available, and would employ approximately 650 people.

We look forward to expanding our operations and will continue to work toward improved performance and earnings.

Mining Technology

We believe that with improved mining technology, more of the world's coal reserves can be made physically, economically and safely recoverable. With this in mind, the Company concluded an agreement with the Soviet Union and Mitsui Mining to combine the underground hydraulic coal mining technologies of the three parties and market this technology internationally to other producers through sub-license agreements. The agreement was concluded in Moscow this past November following the signing of a protocol under the Canada-U.S.S.R. Agreement on Co-operation in the Industrial Application of Science and Technology, signed by the Canadian Government and the U.S.S.R. in 1971.

While Kaiser Resources operates North America's only hydraulic coal mine using a system developed with Mitsui Mining, we believe the Soviet Union has the world's most technologically advanced hydraulic coal mining systems. Hydraulic mining uses water under high pressure to extract coal from sloping underground seams. We have learned that in certain geological formations such as those commonly found in the mountainous terrain of Western Canada, coal recovery by hydraulic mining can be substantially greater than by conventional underground mining. Hydraulic coal mining offers increased safety by not requiring workers at the coal face and healthier working conditions as the use of water eliminates dust.

In December, Kaiser Resources signed its first sublicense agreement to provide hydraulic coal mining technology and technical assistance to another Western Canadian coal company for a proposed underground mine in British Columbia. Any royalties received as a result of this agreement or any future sublicense agreement, will be shared equally among Kaiser Resources, the U.S.S.R. and Mitsui Mining.

First Dividend

On January 24, 1975, we were extremely pleased to announce the declaration of the Company's first quarterly dividend in the amount of 15 cents per common share. We appreciate the support we have received from our shareholders during the Company's early years of serious losses. It is our intention to continue dividend payments on a quarterly basis to the extent that financial conditions permit.

Company's Strength

The Company has continued to receive full understanding and support from its Japanese customers and partners. This support has been vital to the Company's success and growth.

Kaiser Resources is an operations-oriented company interested in moving ahead technologically and in improving the quality of life for its employees through community development. We are fortunate that the Company is made up of people who are dedicated in their work and who take pride in what they are accomplishing under very challenging conditions. Without their efforts, the Company would not have succeeded in overcoming the enormous financial and operational difficulties of earlier years, and would not now be in a position to take advantage of the opportunities which exist for future growth and profits.

We appreciate the dedication of our employees and the continued co-operation from all of our customers, and are confident that, with your continued support, we can meet the challenges of the future.

April 15, 1975

Edgar F. Kaiser,
Chairman

Edgar F. Kaiser, Jr.,
President and Chief Executive Officer

Operations Review

Mining Operations

Record production and technological progress highlighted the year's operations at Sparwood.

The Elkview preparation plant, where raw coal is processed to reduce ash and moisture, produced a record five million long tons of clean metallurgical coal. This compares with slightly more than 4.5 million long tons in 1973. The yield of clean coal from raw coal during 1974 averaged 76.4 percent.

Higher truck and shovel availability in 1974 increased surface mining production to a record 5.6 million long tons of raw metallurgical coal, up from five million long tons in 1973. The improved availability of the surface mining equipment was attributable to improvements made in haul roads, improved blasting techniques which achieved better rock fragmentation, and the accumulated benefits of an upgraded maintenance program introduced two years ago.

The Company's two underground mines produced a total of 865,000 long tons of raw metallurgical coal, most of it from the hydraulic mine. This compared with 1973 underground production of 1,134,000 long tons. The decrease was attributable to a shortage of underground miners in the first nine months of the year, and to production lost as a result of a spontaneous combustion fire which occurred in the hydraulic mine in January. Kaiser Resources now has a full complement of competent underground miners and production has returned to normal.

New underground transportation equipment for the hydraulic mine is expected to be delivered in the first half of 1975. This equipment will contribute to increased productivity by reducing travelling time for employees and by improving the handling of material.

Expansion of the existing surface dewatering facilities to increase annual production capacity of the hydraulic mine to 1.2 million long tons, and installation of new coal handling facilities, began in 1974. This work was delayed by material shortages and is expected to be completed in the first half of 1975.

Kaiser Resources' Elkview preparation plant processes raw coal to reduce ash and moisture. In 1974, the plant produced a record five million long tons of clean metallurgical coal.

The Michel by-products plant produced 140,000 long tons of coke and 411,000 long tons of thermal coal in 1974. This compared to coke and thermal coal production of 143,000 and 70,000 long tons, respectively, in 1973.

The Company recently experienced rail transportation difficulties as a result of shortages of rail cars, a series of derailments, adverse weather conditions and delays in repairs to damaged rail equipment. This problem has been reviewed with the railway in order to assure that the Company's contract tonnage and proposed expansion tonnages can be transported to the port.

Expansion Programs

In 1974, the Company began a $4 million expansion of surface mining operations which will increase production by approximately 250,000 long tons of coal per year for a period of six years. This additional tonnage will be processed in the Company's existing coal washing and drying facilities and production is expected to begin in early 1976, providing no serious delays in equipment deliveries are experienced.

Kaiser Resources is also investigating possible development of a new underground mine and related surface facilities in partnership with Mitsubishi and Mitsui Mining. The three parties formed a new company named Kaiser Coal Canada Ltd. on July 12, 1974 to conduct a joint exploration and feasibility study on Kaiser Resources' property about five miles south of its existing operations.

Exploration work under the agreement began in mid-1974 and the study is expected to take one year to complete. A new underground hydraulic mine with a production capacity of 1.5 to 2 million long tons of clean metallurgical coal per year is planned, providing results of the feasibility study prove favorable and a decision is made to proceed with the project.

The mine would require new coal washing and drying facilities and would employ an estimated 650 people.

Kaiser Resources is investing 50 percent of the capital required by Kaiser Coal Canada in return for a 70 per-

A 25-yard shovel loads 200-ton trucks with overburden at Sparwood surface mining operations. Higher availability of the trucks and shovels contributed to record surface mining production in 1974.

cent ownership interest, and will manage the project. As of December 31, 1974, participants in Kaiser Coal Canada had invested a total of $1.3 million of which $650,000 was provided by Kaiser Resources. It is estimated that an additional $700,000 will be required in 1975 from the participants to complete the study.

The Environment

Kaiser Resources spent approximately $500,000 in 1974, in operating costs and capital expenditures, for its land reclamation and environmental control programs. These programs are carried out under reclamation plans which have received the prior approval of the Minister of Mines and Petroleum Resources.

During the year, Kaiser Resources planted approximately 70,000 trees, bringing the total number of trees planted since 1970 to 280,000. The Company also reclaimed 113 acres of land mined in earlier years, raising the total acreage in various stages of reclamation to 891.

Reclamation work on the first dormant spoil pile from present mining activity began during 1974. This work requires the movement of more than one million cubic yards of material by terracing to reduce the slope of the material for seed propagation. About one-third of the resloping work is scheduled for completion in 1975.

About 56 acres of roads and other areas disturbed by exploration activity were rehabilitated in 1974 and approximately twice that area will be covered in 1975. This activity includes the cutting and disposal of fallen timber, the preparation of land and revegetation.

In 1975, the Company will use large new earth-moving equipment in its reclamation program to increase efficiency and to reduce the cost per acre of reclamation. Improvements are planned for the Company's greenhouse and nursery facilities to increase the production of seedlings for planting.

The Company's environmental control program is carried out within the framework of provincial environmental guidelines. The Director of Pollution Control issues permits and uses recently published objectives in determining if an applicant is entitled to a permit. The Company has acquired or is acquiring permits necessary for its operations.

Under the environmental control program, year-round facilities for spraying loaded rail cars with a dust suppressant were constructed at the Elkview preparation plant and the Michel thermal coal loading area at a cost of $100,000. These facilities were constructed after more than a year of studies with the federal Environmental Protection Service, the railway and one other coal company, on methods to control coal dust from rail cars in transit to the Roberts Bank port. During 1974, the Company spent approximately $225,000 on coal car spraying operations. The materials in use are meeting dust control requirements and the Company is continuing research into improved, and possibly more economical, sprays.

The Company's preparation plant at Elkview contains modern air and water pollution control equipment. However, the coke making and thermal coal facilities at Michel were constructed over 40 years ago. Provincial objectives have been established which contain requirements which may entail substantial changes involving extremely high costs or even closure of these facilities. The Company assumes that it will be allowed a reasonable time in which to comply with these objectives.

At the Roberts Bank port facilities, air emission controls have been installed, spraying for dust control is continuing, and an improved method has been developed for washing empty rail cars to remove residual coal dust.

Employee examines new growth in one of the dormant mining areas being reclaimed under Kaiser Resources' land reclamation program.

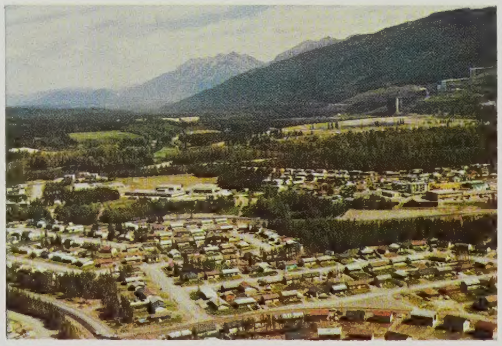
The Community

In April of 1974, the Company retained the services of a community development planning firm to study the short and long-term needs of Sparwood. Discussions have been held at the municipal and provincial government levels and a completed report on the study will be received in the second quarter of 1975.

To date, the Company has spent $5.7 million for community and residential development in the Sparwood and Fernie areas. These expenditures cover single family homes, duplexes, a townhouse complex, apartment units for single employees, a shopping centre and the development of lots for residential construction, including a mobile home park.

The Company also has a housing assistance program for employees in the form of non-interest bearing second mortgage loans which are forgiven at a rate of 10 percent a year for each year of service completed. Assistance extended under this program amounted to $3 million at the end of 1974.

The Company is also continuing to assist in the development of community recreation facilities. The Company is currently committed to contribute up to $250,000 towards the cost of a new curling rink and other facilities in continuing development of the Sparwood recreation complex.



The attractive residential area of Sparwood, a new British Columbia town where most employees of Kaiser Resources live.

A ship takes on coal for export markets at Roberts Bank near Vancouver, where Westshore Terminals Ltd. operates modern bulk-loading facilities.

Employees

Kaiser Resources and its subsidiaries employed 1,960 people at the end of 1974 and during the year paid approximately $30 million in wages, salaries and employee benefits.

A two-year collective agreement with the United Mine Workers of America was signed in January of 1974. Effective October 1, 1974 the Company unilaterally increased wage rates for employees covered by the contract in the interest of being competitive with other industries in Western Canada, and in the interest of treating employees on a fair and equitable basis. A similar contract adjustment was made on January 1, 1975 for approximately 110 Sparwood employees who are members of the Office and Technical Employees Union.

Port Operations

During 1974, Westshore Terminals Ltd., the Company's wholly-owned subsidiary which operates bulk-loading port facilities at Roberts Bank, loaded 142 ships with a record 7.5 million long tons of coal, coke and related products. This amount included 5.2 million long tons of Kaiser Resources' coal and 2.3 million long tons of products from other companies.

Westshore Terminals has collective agreements with Locals 514 and 517 of the International Longshoremen's and Warehousemen's Union, representing foremen and office employees at the port. These agreements expire on January 31, 1976 and January 31, 1977, respectively.

Effective February 1, 1975, a two-year collective agreement was signed by Westshore Terminals and Local 502 of the International Longshoremen's and Warehousemen's Union, representing approximately 55 operating employees at the port.

Financial Summary

Earnings Increase

Consolidated net earnings in 1974 amounted to $24,158,000, or $1.01 per share, based on a weighted average of 23,954,000 shares outstanding during the year. This compares with 1973 earnings of $3,478,000, or 22 cents per share on a weighted average of 15,917,000 shares.

Results for 1974 include an extraordinary income tax credit of $11,496,000 or 48 cents per share from tax losses carried forward. The 1973 results included an extraordinary income tax credit of $694,000 or 4 cents per share, and foreign exchange gains of $1,485,000 resulting primarily from the retirement of U.S. dollar debt.

Record Sales

Sales revenue in 1974 was a record $142,597,000, up substantially from the previous high of $97, 439,000 in 1973. The increase was attributable to higher coal prices and a strong consumer demand which enabled the Company to ship at a record level.

Total shipments of coal, coke and related products amounted to 5,459,000 long tons, of which 4,906,000 long tons was high grade metallurgical or coking coal shipped under long-term contract with Mitsubishi Corporation for use in the manufacture of steel by Mitsubishi's Japanese customers. Shipments in 1973 totalled 4,915,000 long tons, of which 4,675,000 long tons was coking coal sold to Japan.

Sales of thermal coal in 1974 amounted to 329,000 long tons and included export shipments of 194,000 long tons to Denmark and 66,000 long tons to France. Shipments in 1975 are expected to increase mainly as a result of contracts to deliver 375,000 long tons to Europe.

Increased Coal Prices

During 1974, Kaiser Resources obtained price increases totalling $9.99 per long ton under its long-term sales contract with Mitsubishi. Of this increase, $5.10 represented negotiated price increases and $4.89 related to the application of cost escalation under the contract.

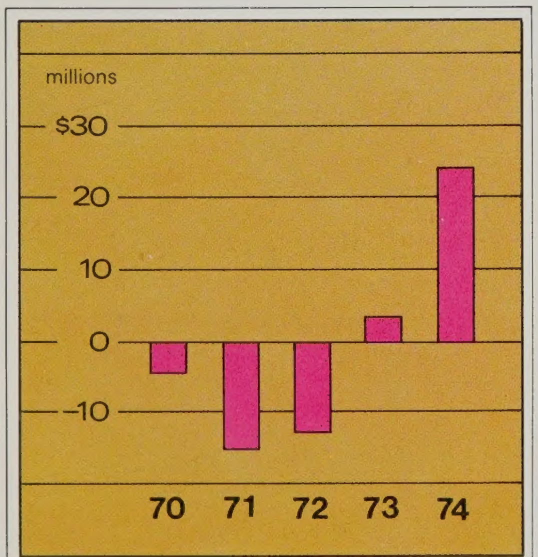
The Company was granted an interim price increase of $6.45 per long ton for all shipments to Japan in the first quarter of 1975.

Effective April 1, 1975, the Company received a base price increase of $16.16 per long ton. This increase reflected the termination of the interim price increase applicable to first quarter shipments and raised the base price for coal being sold under the long-term contract to $47 per long ton. In addition, it was agreed that the new base price would be reviewed after negotiations between other Canadian coal suppliers and their Japanese customers for the 1975 contract year, in order to assure the Company's competitive price position. The Company also agreed to limit its escalation applications to increases in mineral land taxes, rail and port costs until the base price review is concluded. Under the terms of the long-term sales contract, either the Company or its Japanese customers may request a review of the price to be effective on April 1, 1976 and April 1, 1980.

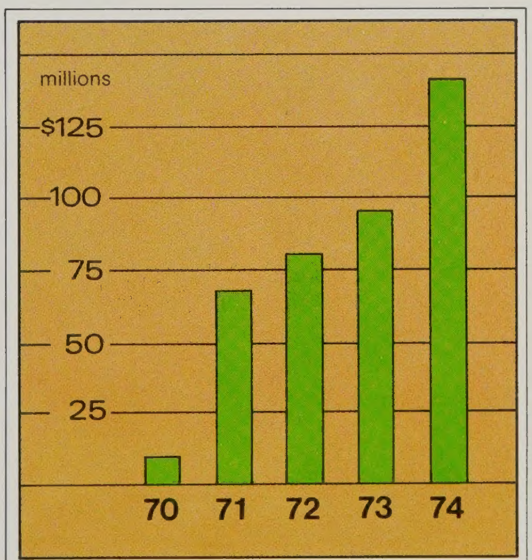
Debt Reduced

Improved earnings performance during the year permitted the Company to reduce its long-term debt by 50 percent to $28.7 million by December 31, 1974. In addition to the scheduled debt repayments for 1974, the Company paid $17.3 million of debt ahead of its scheduled maturity. Included in the amounts prepaid were payments of U.S. $12.8 million to Mitsubishi Canada Limited, $2.3 million to three Canadian banks, and $2.1 million to fully retire certain equipment notes. The

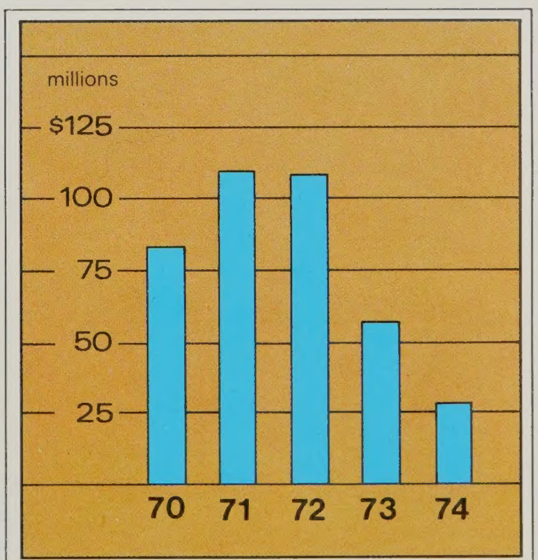
Net Earnings



Sales



Total Long-Term Debt



payment to Mitsubishi Canada represented the balance outstanding under the U.S. $35 million loan received in 1970 and 1971. The reduction in long-term debt has substantially reduced the Company's interest costs.

The improved financial position of the Company allowed it to secure the release of Kaiser Steel Corporation from responsibility to guarantee the Company's debt as of December 31, 1974. The guarantees covered credit agreements with Mitsubishi Canada, three Canadian banks, two U.S. banks and certain equipment financing arrangements. At its peak in 1972, the amount of Kaiser Steel's guarantees had exceeded $100 million.

Warrants Issued

Kaiser Resources took the final step in its 1973 refinancing program by issuing 2.5 million warrants to public shareholders of record on March 4, 1974 on the basis of one warrant for each common share held. Each warrant entitles the holder to purchase one new share in Kaiser Resources at $2.85. The warrants are transferable and expire on December 31,1976.

As a result of the equity investments made in the Company by Kaiser Steel and the Japanese purchasers in 1973, the ownership interest of the Company's public shareholders was reduced from 25 percent to 10.4 percent. In order to reduce this dilution, public shareholders were given an opportunity to increase their ownership interest in the Company through the warrant program.

If all of the warrants and employee stock options outstanding at December 31, 1974 are exercised, the public shareholder interest in Kaiser Resources would be increased to 20 percent. Kaiser Steel's interest would be reduced from 59.3 percent to 53 percent and the interest of the Japanese purchasers would be reduced from 30.2 percent to 27 percent.

At December 31, 1974, 11,532 warrants had been exercised. If all the warrants are exercised, the Company will receive $7.1 million in proceeds, before considering expenses incurred in the offering. The shares and warrants are principally traded on the Toronto Stock Exchange, and are also traded on the Vancouver and Montreal Stock Exchanges.

Market Quotations — Toronto Stock Exchange

		Shares		Warrants	
		High	Low	High	Low
1973	1st Quarter	$ 3.35	$ 2.00		
	2nd Quarter	4.00	2.70		
	3rd Quarter	3.70	2.85		
	4th Quarter	5.75	3.30		
1974	1st Quarter	$ 5.38	$ 3.05	$ 1.90	$ 1.15
	2nd Quarter	4.70	3.50	2.08	1.51
	3rd Quarter	4.35	3.00	2.00	1.10
	4th Quarter	5.25	3.25	2.60	1.20

Dividend Declared

On January 24, 1975, Kaiser Resources declared a quarterly dividend of 15 cents per common share payable on March 24, 1975 to shareholders of record at the close of business on March 7, 1975. The dividend is the first to be declared by the Company.

Capital Programs

Capital expenditures for 1974 totalled $10.2 million. Major expenditures included $3.3 million in the surface mine for the replacement of equipment and $2.8 million in the hydraulic mine for expansion of the dewatering system, installation of more efficient coal-handling facilities and development of new mine tunnels.

Estimated capital expenditures for 1975 total $21.4 million. These expenditures include $17.4 million for the replacement and improvement of existing equipment and facilities at all Company locations, and $4 million for the purchase of mining equipment to expand surface operations by 250,000 clean long tons of coal per year for six years.

Mineral Land Tax

Under the Mineral Land Tax Act of British Columbia, the Company commenced in 1974 to pay a tax to the Province in respect of each long ton of clean coal shipped from the mine. Mineral land taxes in 1974 amounted to $2.4 million and are included in general and administrative expenses in the consolidated statement of earnings. The Company has been advised that the mineral land tax rate per ton of coal will double in 1975. Mineral land taxes relating to coal sold under the Company's Japanese sales contract are covered by escalation provisions.

Markets

Kaiser Resources' markets in 1974, in addition to its principal market of Japan, included Western Canada, Eastern Canada, the Western United States, Denmark and France.

Financial Statements
Kaiser Resources Ltd. and Subsidiaries

Consolidated Statement of Earnings
For the years ended December 31, 1974 and 1973

	1974	1973
Sales	$142,596,649	$ 97,439,139
Other income — net	3,469,177	900,183
	146,065,826	98,339,322
Costs and expenses:		
Cost of products sold	87,326,648	66,146,980
General and administrative	12,299,630	8,126,713
Interest on long-term debt	5,874,916	8,202,676
Depreciation and depletion (Note A)	12,850,302	12,321,917
Amortization of preproduction and development costs (Note A)	1,594,265	1,506,972
	119,945,761	96,305,258
Earnings from operations	26,120,065	2,034,064
Foreign exchange gains (Note A)	528,186	1,485,233
Earnings before provision for income taxes and extraordinary items	26,648,251	3,519,297
Provision for income taxes (Notes A and J)	13,986,000	735,000
Earnings before extraordinary items	12,662,251	2,784,297
Extraordinary items (Notes A and K)	11,496,000	694,000
Net earnings for the year	$ 24,158,251	$ 3,478,297

	1974	1973
Net earnings per common share (Note L):		
Basic earnings:		
Before extraordinary items	$ .53	$ .18
Extraordinary items	.48	.04
Net earnings for the year	$ 1.01	$ .22
Fully diluted earnings:		
Before extraordinary items	$ .49	
Extraordinary items	.45	
Net earnings for the year	$ .94	

See notes to the consolidated financial statements.

Kaiser Resources Ltd. and Subsidiaries

Consolidated Statement of Changes in Financial Position

For the years ended December 31, 1974 and 1973

	1974	1973
Source of funds:		
Earnings before extraordinary items	$ 12,662,251	$ 2,784,297
Items not requiring an outlay of funds:		
Amortization of preproduction and development costs	1,594,265	1,506,972
Depreciation and depletion	12,850,302	12,321,917
Provision for income taxes	13,801,000	694,000
Total funds provided by operations	40,907,818	17,307,186
Issuance of capital stock	32,866	44,999,999
Proceeds from sale of equipment	2,183,045	108,161
Additions to long-term debt	—	3,891,546
Total source of funds	$ 43,123,729	$ 66,306,892
Application of funds:		
Purchase of property, plant and equipment and other assets	$ 11,219,193	$ 9,305,070
Long-term debt:		
Total reductions	28,704,408	55,816,248
Less: Conversion to capital stock	—	10,000,000
Total repayments	28,704,408	45,816,248
Less: Repayment of installments due within the period	11,440,224	26,029,615
Repayment of debt not due within the period	17,264,184	19,786,633
Reclassified to installments due within one year	7,498,975	11,753,025
Reduction of long-term debt	24,763,159	31,539,658
Total application of funds	35,982,352	40,844,728
Net increase in working capital (see below)	7,141,377	25,462,164
Working capital (deficiency) at beginning of year	4,375,861	(21,086,303)
Working capital at end of year	$ 11,517,238	$ 4,375,861
Summary of increase (decrease) in working capital:		
Cash and short-term deposits	$ 5,275,305	$ 7,428,783
Accounts receivable	1,193,436	(243,141)
Insurance claims receivable	—	(710,998)
Inventories	1,208,914	(1,416,998)
Prepaid expenses	256,704	275,046
Accounts payable	(2,770,745)	(589,325)
Employment costs and amounts withheld from employees	(1,676,684)	(38,505)
Income taxes payable	(144,000)	(41,000)
Accrued interest payable — parent company	—	1,263,355
Other accrued liabilities	(142,802)	258,357
Short-term bank loans	—	5,000,000
Installments due within one year on long-term debt	3,941,249	14,276,590
	$ 7,141,377	$ 25,462,164

See notes to the consolidated financial statements.

Kaiser Resources Ltd. and Subsidiaries

Consolidated Balance Sheet

As at December 31, 1974 and 1973

Assets

	1974	1973
Current assets:		
Cash and short-term deposits	$ 15,473,906	$ 10,198,601
Accounts receivable	2,658,411	1,464,975
Inventories (Notes A and C)	12,986,457	11,777,543
Prepaid expenses	741,509	484,805
	31,860,283	23,925,924
Other assets:		
Employee mortgages receivable (Note D)	2,267,719	2,153,521
Investments and other accounts	1,468,800	485,444
	3,736,519	2,638,965
Property, plant and equipment — at cost (Note A):		
Land	17,218,271	17,178,271
Buildings and land improvements	47,973,753	46,924,030
Machinery and equipment	87,746,547	91,657,550
Construction work-in-process	6,566,687	1,480,255
	159,505,258	157,240,106
Less: Accumulated depreciation and depletion	48,291,045	41,384,469
	111,214,213	115,855,637
Deferred preproduction and development costs less amounts amortized (Note A)	16,397,424	17,891,689
Other deferred charges	302,965	673,249
	$163,511,404	$160,985,464

On behalf of the Board:

Edgar F. Kaiser, Jr., Director *Ian N. McKinnon*, Director

Consolidated Statement of Shareholders' Equity

For the years ended December 31, 1974 and 1973

	Capital Stock			
	Shares Issued	Amount	Contributed Surplus	Retained Earnings (Deficit)
Balance January 1, 1973	10,000,000	$ 10,000,000	$ 60,000,000	$(33,044,544)
Net earnings — 1973	—	—	—	3,478,297
Shares issued under the 1973 Refinancing Program (Note F)	13,947,368	13,947,368	41,052,631	—
Application of accumulated deficit as of June 30, 1973 to contributed surplus (Note G)	—	—	(32,322,752)	32,322,752
Balance December 31, 1973	23,947,368	23,947,368	68,729,879	2,756,505
Net earnings — 1974	—	—	—	24,158,251
Shares issued upon exercise of warrants (Note F)	11,532	11,532	21,334	—
Balance December 31, 1974	23,958,900	$ 23,958,900	$ 68,751,213	$ 26,914,756

See notes to the consolidated financial statements.

Liabilities and Shareholders' Equity

	1974	1973
Current liabilities:		
Accounts payable	$ 7,346,565	$ 4,575,820
Employment costs and amounts withheld from employees	3,712,171	2,035,487
Income taxes payable	185,000	41,000
Other accrued liabilities	1,600,002	1,457,200
Installments due within one year on long-term debt	7,499,307	11,440,556
	20,343,045	19,550,063
Deferred income taxes (Note J)	2,305,000	—
Long-term debt (Note E)	21,238,490	46,001,649
Shareholders' Equity:		
Capital stock (Note F)		
Authorized 28,000,000 common shares of par value $1 each		
Issued and fully paid 23,958,900 shares (23,947,368 in 1973)	23,958,900	23,947,368
Contributed surplus (Note G)	68,751,213	68,729,879
Retained earnings from July 1, 1973 (Notes G and H)	26,914,756	2,756,505
	119,624,869	95,433,752
Commitments and contingencies (Note I)		
	$163,511,404	$160,985,464

See notes to the consolidated financial statements.

Auditors' Report

The Shareholders,
Kaiser Resources Ltd.

We have examined the consolidated balance sheet of Kaiser Resources Ltd. and its subsidiaries, as at December 31, 1974 and 1973, and the consolidated statements of shareholders' equity, earnings and changes in financial position for the years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and 1973 and the results of their operations and the changes in financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Vancouver, B.C.
January 22, 1975.

Touche Ross & Co.
Chartered Accountants.

Note A — Summary of Significant Accounting Policies

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of Kaiser Resources Ltd. and its wholly-owned subsidiaries, Westshore Terminals Ltd., Kootenay Coal Contractors Ltd., and Mountain View Realty Limited. Intercompany transactions, accounts and earnings have been eliminated.

Translation of Foreign Currency:

Current assets and current liabilities where applicable, have been translated from U. S. Dollars at the rate of exchange prevailing at December 31, 1974 and 1973. Applicable non-current assets and liabilities and certain capital transactions have been translated at rates in effect on the date each transaction occurred. Provisions for loss from exchange rate fluctuations and gains and losses realized on transactions completed during the year are included in earnings.

Inventory Valuation:

Inventories of coal and coke are valued at the lower of average cost, which excludes depreciation, and net realizable value. Inventories of operating supplies are valued at average cost less allowances for shrinkage and obsolescence.

Depreciation, Depletion and Amortization of Preproduction:

Depreciation of property, plant and equipment is calculated on a straight-line basis over the lesser of the estimated useful life of each asset or the remaining life of the 15-year sales contract with Mitsubishi Corporation. Expenditures for repairs and maintenance are charged against earnings. Cost of assets sold, retired, or abandoned and the related amounts of accumulated depreciation are eliminated from the accounts in the year of retirement and the resulting gain or loss is reflected in earnings.

Depletion is provided at the rate of 10 cents per short ton of raw coal mined.

Deferred preproduction and development costs are amortized on a straight-line basis over the term of the 15-year sales contract with Mitsubishi Corporation.

Income Taxes:

Income taxes are provided on the basis of the income reported by each company included in the consolidation. Tax reductions realized from the application of loss carry-forwards are recorded as extraordinary items. "Earned depletion" benefits which will reduce the effective tax rate will be recognized in the tax provision when the loss carry-forwards have been fully utilized.

Note B — Export Sales Contract

The Company sells substantially all of its metallurgical coal production under a long-term sales contract, effective through March 31, 1985, to Mitsubishi Corporation for resale to the Japanese steel industry.

During 1974, the Company obtained price increases of $9.99 per long ton which increased the price of coal delivered under its sales contract to $30.24 per long ton at December 31, 1974. Of this increase, $4.89 was applicable to cost escalation and $5.10 represents negotiated price increases of 10 cents effective April 1, 1974 and $5.00 effective June 1, 1974.

Further to the above, the Company has been granted a special bonus price of $6.45 per long ton on all coal shipped under the contract in the first quarter of 1975 and a price review at April 1, 1975 in order to assure that the contract price is competitive with other Canadian coal prices. Previously the Company was not entitled to a price review until April 1, 1976.

Note C — Inventories

Inventories are summarized as follows:

	December 31, 1974	December 31, 1973
Clean coal and coke at lower of cost and net realizable value	$ 3,921,078	$ 4,120,345
Raw coal at lower of cost and net realizable value	788,951	1,404,007
Operating supplies at average cost, less valuation allowances for shrinkage and obsolescence of $807,401 ($1,118,814 in 1973)	8,276,428	6,253,191
	$ 12,986,457	$ 11,777,543

Note D — Employee Mortgages Receivable

The Company issues non-interest bearing second mortgages to employees under its housing program. The mortgages are forgiven at a rate of 10% of the original amount for each year of service.

Note E — Long-Term Debt

	December 31, 1974	1973
Canadian Bank Credit Agreement, unsecured, interest at 1½% over Canadian prime, repayable in quarterly installments ending in 1978. (Two installments were prepaid as of December 31, 1974.)	$ 15,750,000	$ 22,500,000
Mitsubishi Canada Limited Credit Agreement, U. S. $16,000,000	—	16,112,672
Bank Credit Agreement with Bank of America National Trust and Savings Association and United California Bank, U. S. $9,200,000, unsecured, interest at 1½% over U.S. prime, repayable in quarterly installments ending in 1978	9,659,678	11,470,868
Mortgages payable, secured, interest at rates varying from 9½% to 11%, repayable in 5 years, installments based on 20 and 25 year amortizations	2,799,868	2,854,801
First Chicago Leasing Company of Canada Limited capitalized lease obligations	—	2,934,110
First National Bank of Chicago Notes Payable, U. S. $514,430, unsecured, interest at rates varying from 7% to 13.3%, repayable in 1975	518,251	1,554,754
Other	10,000	15,000
Total	28,737,797	57,442,205
Less: Installments due within one year	7,499,307	11,440,556
	$ 21,238,490	$ 46,001,649

Under the Canadian Bank Credit Agreement as amended on December 31, 1974, the Company may be required at some future date, to issue debentures in favor of the banks secured by a floating charge on all assets of the Company. The Agreement requires the Company to maintain net current assets as defined of $7,500,000 and shareholders' equity of $107,000,000 less principal payments made under the Agreement after December 31, 1974. At December 31, 1974 net current assets as defined were $16,017,238 and shareholders' equity was $119,624,869. The Agreement also contains restrictions on payments to shareholders (Note H).

Annual long-term debt maturities for the years 1975 through 1979 are $7,499,000, $6,988,000, $6,990,000, $4,748,000, and $92,000, respectively.

Note F — Capital Stock

As part of the Company's 1973 Refinancing Program, the Company issued 2,500,000 warrants to its shareholders of record March 4, 1974, (excluding Kaiser Steel Corporation and the Japanese companies which participated in the 1973 Refinancing Program) enabling each such shareholder to purchase one additional share for each share held at a price of $2.85. The warrants are transferable and expire on December 31, 1976.

In 1973 the Company established a stock option program for officers and key employees. Option prices are based on the average of the high and low market price of shares traded on the Toronto Stock Exchange on the date of grant. Outstanding options exercisable for a period of four years from the dates indicated are as follows: (i) 157,100 from September 11, 1974 at $3.15 per share; (ii) 7,200 from December 18, 1974 at $3.65 per share; (iii) 176,600 from June 11, 1975 at $4.45 per share; and (iv) 3,000 from December 6, 1975 at $3.98 per share.

At December 31, 1974, Kaiser Steel Corporation held 59.3% of the issued common shares.

Note G — Application of Accumulated Deficit as of June 30, 1973 to Contributed Surplus

In August 1973, the Company applied the accumulated deficit as of June 30, 1973 of $32,322,752 against contributed surplus in accordance with the equity purchase agreements executed in 1973 with Mitsubishi Corporation and nine other Japanese companies.

Note H — Restrictions on Payments to Shareholders

The Canadian Bank Credit Agreement contains restrictions relating to payments to shareholders for dividends and the acquisition of Company shares. At December 31, 1974, the maximum amount that could be paid to shareholders under the most restrictive of the provisions was $8,517,238.

Note I — Commitments and Contingencies

The Company is obligated to pay to Mitsubishi Canada Limited a service fee of 10 cents per long ton of coal shipped to Japan under the export sales contract.

The Company is obligated to make production payments to Crows Nest Industries Limited in the amount of 50 cents per short ton of coal mined and shipped from the property beginning January 1, 1977, until an aggregate amount of $34,000,000 has been paid.

On May 1, 1972, the Company entered into a license agreement extending until 1992 with Mitsui Mining Company, Limited committing it to pay a royalty on sales of clean coal produced by the hydraulic mining method. An amendment to the license agreement was executed with Mitsui effective July 11, 1974, increasing the royalty from U. S. $.15 to U. S. $.30 per clean long ton. The agreement stipulates that the Company will receive a paid-up license when a total of U. S. $9,000,000 has been paid to Mitsui by the Company and its affiliates. As of December 31, 1974, U. S. $276,000 has been paid under this agreement.

The Company through its wholly-owned subsidiary Westshore Terminals Ltd. has a lease with the National Harbours Board, terminating March 31, 1985 with two 15-year renewal options, for land used as a coal loading terminal at Roberts Bank. The annual rental is based on a fixed charge of $276,974 plus a variable fee based on tonnage handled by the terminal. Lease expense was $392,440 in 1974 and $394,282 in 1973.

On June 28, 1974, the Company entered into an exploration agreement with Mitsui Mining Company, Limited and Mitsubishi Corporation to conduct a feasibility study to develop a new mining project on the Company's property capable of producing approximately 1.5 to 2 million clean long tons of metallurgical coal per year. If the project proves feasible, the Company will be obligated to contribute 50% of the equity capital required to develop the project in exchange for an ownership interest of 70%. If the project does not prove feasible, or the parties agree not to proceed, the Company has agreed to participate in the investigation of another area on its property and, if feasible, develop the project under terms and conditions similar to those contained in the exploration agreement. The Company has agreed that it will not conduct hydraulic mining with any party other than Mitsui on its existing properties and will not use the hydraulic mining method except for coal produced for processing at the Elkview Plant until a commercial hydraulic mine joint venture is formed with Mitsui. Kaiser Coal Canada Ltd. was incorporated on July 12, 1974 to conduct the exploration and feasibility program.

Note J — Provision for Taxes

Tax provisions are calculated in accordance with existing tax legislation and changes outlined in the Federal Budget Message of November 18, 1974 as related to the Federal and Provincial income taxes.

	Current	Deferred	Total
Provisions for 1974 are:			
Federal and Provincial income tax	$10,726,000	$ —	$10,726,000
British Columbia mining tax	955,000	2,305,000	3,260,000
Total	$11,681,000	$ 2,305,000	$13,986,000

Note J — Provision for Taxes — Continued

The application of accounting loss carry-forwards has resulted in the recovery of both Federal and Provincial income taxes, and British Columbia mining taxes in the amount of $11,496,000. This recovery is reflected in the consolidated statement of earnings as extraordinary income items (Note K). Deferred mining taxes resulted from claiming depreciation of fixed assets and amortization of preproduction and development costs for tax purposes in excess of amounts recorded in the financial statements.

At December 31, 1974, the Company has recorded in its accounts depreciation of fixed assets and amortization of preproduction and development expenditures in excess of amounts claimed for tax purposes resulting in accounting loss carry-forwards of approximately $18,800,000 which can be applied against future earnings to reduce Federal and Provincial income taxes.

At December 31, 1974, the Company has accumulated "earned depletion" benefits of approximately $12,000,000 which will reduce the effective rate of Federal and Provincial income taxes in the future.

Tax provisions for 1973 were applicable to earnings of subsidiary companies and were substantially offset by loss carry-forwards. Earnings of the parent company were exempt from Federal and Provincial income taxes.

Note K — Extraordinary Items

Extraordinary items represent the reduction of income taxes otherwise payable due to the application of loss carry-forwards. This treatment is in accordance with accounting principles generally accepted in Canada. For purposes of reporting to U. S. shareholders, however, Opinion No. 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants would require such amounts instead to be included in contributed surplus.

Note L — Earnings Per Share

Basic earnings per share are calculated on the weighted average number of shares outstanding during the year of 23,954,103 in 1974 and 15,916,509 in 1973.

Fully diluted earnings per share are calculated on the assumption that all stock options and warrants outstanding were exercised at the beginning of the year or the date of grant in the year, if later, and that funds derived therefrom had been invested at an annual rate of 9%. This results in an increase after income taxes of approximately $500,000 in earnings for the year for purposes of this calculation.

Note M — Remuneration of Directors and Officers

	Number of Officers and Directors	Year Ended December 31, 1974	1973
Directors, including four officers of Kaiser Steel Corporation who served without compensation	10	$ 44,750	$ 45,245
Officers, including six officers who are also directors	14	842,570	543,321
		$887,320	$588,566

Five-Year Summary of Operations

	1974	1973	1972	1971	1970
Summary of Earnings (thousands)					
Shipments — long tons					
Metallurgical coal	4,969	4,675	4,046	3,634	1,927
Thermal coal	329	70	102	247	177
Coke and breeze	161	169	141	134	169
	5,459	4,914	4,289	4,015	2,273
Sales	$142,597	$ 97,439	$ 81,657	$ 68,934[1]	$ 10,274[1]
Other income, net	3,469	900	1,132	1,365	101
	146,066	98,339	82,789	70,299	10,375
Costs and expenses:					
Cost of products sold	87,327	66,147	58,318	58,189	10,096
General and administrative	12,300	8,127	7,474	7,260	3,407
Interest	5,875	8,203	8,623	7,872	501
Depreciation and depletion	12,850	12,321	12,582	10,559	835
Amortization of preproduction and development costs	1,594	1,507	1,540	1,767	263
	119,946	96,305	88,537	85,647	15,102
Earnings (loss) from operations	26,120	2,034	(5,748)	(15,348)	(4,727)
Foreign exchange gains	528	1,485	91	—	—
Earnings (loss) before provision for income taxes and extraordinary items	26,648	3,519	(5,657)	(15,348)	(4,727)
Provision for income taxes	13,986	735	—	—	(28)
Earnings (loss) before extraordinary items	12,662	2,784	(5,657)	(15,348)	(4,699)
Extraordinary items	11,496[2]	694[2]	(7,363)[3]	—	—
Net earnings (loss)	$ 24,158	$ 3,478	$(13,020)	$(15,348)	$ (4,699)
Common Share Statistics					
Basic earnings (loss):[4]					
Before extraordinary items	$ .53	$ .18	$(.56)	$(1.53)	$(.47)
Extraordinary items	.48	.04	(.74)	—	—
Net earnings (loss)	$ 1.01	$ .22	$(1.30)	$(1.53)	$(.47)
Fully diluted earnings	$ .94	—	—	—	—
Weighted average common shares outstanding — thousands	23,954	15,917	10,000	10,000	10,000
Book value at year end	$ 4.99	$ 3.99	$ 3.70	$ 5.00	$ 6.63
Market price — TSE					
Common stock — high	$ 5.38	$ 5.75	$ 4.75	$ 8.25	$ 22.25
Common stock — low	$ 3.00	$ 2.00	$ 1.80	$ 3.65	$ 6.13
Warrants — high	$ 2.60	—	—	—	—
Warrants — low	$ 1.10	—	—	—	—

	1974	1973	1972	1971	1970
Other Financial Data (thousands)					
Cash flow[5]	$ 40,908	$ 17,307	$ 8,513	$ (2,847)	$ (3,629)
Working capital	$ 11,517	$ 4,376	$ (21,086)	$ (7,200)	$ (3,669)
Capital expenditures	$ 10,186	$ 9,453	$ 7,166	$ 22,793	$ 20,078
Total assets	$163,511	$160,985	$160,285	$170,442	$160,882
Total long-term debt	$ 28,738	$ 57,442	$109,367	$110,998	$ 84,253
Shareholders' equity	$119,625	$ 95,434	$ 36,955	$ 49,975	$ 65,324
Employment costs	$ 29,639	$ 22,318	$ 18,685	$ 17,351	$ 14,722
Number of shareholders	3,957	3,810	3,576	3,339	3,599
Number of employees	1,960	1,725	1,593	1,439	1,439

Notes

(1) Excludes revenue from metallurgical coal sales of $20,116,641 in 1970 and $301,069 in 1971 which have been credited against preproduction and development costs.

(2) Reduction of income taxes otherwise payable due to the application of loss carry-forwards.

(3) Provision for loss on the sale and abandonment of certain equipment and facilities.

(4) Calculated on the weighted average number of common shares outstanding. Excludes the effect of warrants and stock options which under U. S. accounting practice would have been deemed exercised as of December 31, 1974.

(5) Net earnings (loss) adjusted for non-cash items included in income.

Analysis and Discussion of Summary of Earnings

Kaiser Resources sells substantially all of its metallurgical coal production under a long-term sales contract with Mitsubishi Corporation for consumption in Japan. From the start-up of operations in 1968 through June 30, 1973, the Company incurred $32.3 million of losses. Among the problems encountered were unsatisfactory performance of major mining equipment, processing problems at the coal preparation plant and unanticipated geological formations in surface mining areas. These problems resulted in production well below contract quantities, costs substantially higher than anticipated, and failure to meet coal quality specifications.

In order to overcome these problems, the Company revised its mining plan, modified the processing plant and prototype surface mining equipment, and placed greater emphasis on preventive maintenance programs to improve equipment performance. The Company negotiated significant revisions to its Japanese sales contract covering price, quality, quantity, exchange rate and escalation. In addition, the Company completed a refinancing program involving the investment of $55 million in additional equity capital in 1973. Substantially all of the proceeds from this program were used to retire debt. Rising coal prices and record shipments have enabled the Company to operate profitably in the last two years.

Sales

Sales for 1974 increased by 46 percent over 1973 to a record level of $142.6 million principally as a result of increased coal shipments and higher prices. The price for the Company's metallurgical coal exported to Japan increased by $9.99 per long ton during the year. Higher shipment levels and prices were also responsible for the 19 percent increase in sales revenue between the years 1973 and 1972.

Other Income

Other income rose substantially in 1974 mostly as a result of interest earnings on investment of cash balances.

Cost of Products Sold

In 1974 cost of products sold increased by 32 percent mainly as a result of inflation, which accounted for sharp increases in labor and materials costs. The

13 percent increase in costs between 1973 and 1972 was due principally to higher shipment levels. Increases in the cost of labor and materials during 1973 were largely offset by improved production efficiency.

General and Administrative Expense

New mineral land taxes paid to the Province of British Columbia in 1974 accounted for a large part of the 51 percent increase in general and administrative expense for that year. Salary increases and staff additions also contributed to higher costs in 1974.

Interest Expense

Interest expense declined in 1974 as a result of substantial repayments of debt in 1973 and 1974. In 1973 the $55 million raised from the equity program was applied almost entirely to reduction of debt. In 1974 debt was further reduced by $28.7 million, which included the repayment of $17.3 million of debt ahead of its scheduled maturity.

Foreign Exchange Gains

Foreign exchange gains in 1974 and 1973 resulted primarily from the retirement of U.S. dollar debt obligations. Gains reported for 1973 were unusually high as a result of significant debt repayments made in connection with the 1973 refinancing program.

Extraordinary Income

The increase in extraordinary income between 1973 and 1974 resulted from the greater application of loss carry-forwards to reduce income taxes otherwise payable. Earnings attributable to Kaiser Resources' surface mining operations in 1973 were exempt from Federal and Provincial income taxes under legislation which exempted new mines from tax. At December 31, 1974, the Company had approximately $18.8 million of loss carry-forwards available to offset future income subject to tax. It is expected that this amount will be fully utilized in 1975.

Directors

Edgar F. Kaiser*
Chairman, Kaiser Resources Ltd., Vancouver
Chairman, Kaiser Industries Corporation, Oakland, California (diversified company engaged principally in worldwide engineering, construction, mining and manufacturing activities)

Graham R. Dawson*
Vice-Chairman, Kaiser Resources Ltd.
President, Dawson Construction Limited
Vancouver (heavy construction contractors)

Edgar F. Kaiser, Jr.*
Chairman of the Executive Committee
President and Chief Executive Officer, Kaiser Resources Ltd.

Howard E. Cadinha
Vice-President, Finance and Planning
Kaiser Resources Ltd.

Paul G. Desmarais
Chairman and Chief Executive Officer
Power Corporation of Canada Limited, Montreal
(investment and management company)

Stephen A. Girard
President, Group Operations
Kaiser Industries Corporation

Roger T. Hager*
Retired Chairman
The Canadian Fishing Company Limited, Vancouver (fish processing)

Enji Haseo
Managing Director, Ferrous Metals
Mitsubishi Corporation, Tokyo (trading company)

George A. Jedenoff*
President and Chief Operating Officer
Kaiser Steel Corporation, Oakland, California (major western U.S. steel producer also engaged in mining and shipping)

R. A. Kjelland▪
Vice-President, Finance and Planning
Kaiser Steel Corporation

William B. Macdonald
Consultant, Toronto

Robert W. MacPhail
Vice-President, General Manager
Kaiser Resources Ltd.

Ian N. McKinnon▪
Chairman
Consolidated Pipe Lines Company and Consolidated Natural Gas Limited, Calgary
(transportation, purchase and sale of natural gas)

E. D. H. Wilkinson, Q.C.▪
Partner, Russell and DuMoulin
Vancouver (barristers and solicitors)

**Member, Executive Committee, Kaiser Resources Ltd.*
▪Member, Audit Committee, Kaiser Resources Ltd.

Officers

Edgar F. Kaiser
Chairman of the Board

Graham R. Dawson
Vice-Chairman of the Board

Edgar F. Kaiser, Jr.
Chairman of the Executive Committee
President and Chief Executive Officer

Howard E. Cadinha
Vice-President, Finance and Planning

Robert H. Gronotte
Vice-President, Engineering

John H. Harvie
Vice-President, Marketing and Sales

Robert W. MacPhail
Vice-President, General Manager

Ward P. Popenoe
Vice-President, Administration and Assistant Secretary

Walter J. Riva
Vice-President, Mining Operations

Christopher H. Hebb
Chief Counsel and Secretary

Peter M. Bradbury
Treasurer

Bent H. Larsen
Controller

William S. Barnum
Assistant Secretary and Assistant Treasurer

E. James Norman
Assistant Secretary

John W. Feist
Assistant Secretary

AUDITORS
Touche Ross & Co.
Vancouver

TRANSFER AGENT
Canada Permanent Trust Company
Vancouver, Calgary, Winnipeg, Toronto, Montreal

REGISTRAR
National Trust Company Limited
Vancouver, Calgary, Winnipeg, Toronto, Montreal

SHARES LISTED
Vancouver, Toronto, and Montreal Stock Exchanges

KAISER
RESOURCES